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IN THE
Supreme Court of the United States

OCTOBER TERM, 1925.

No. 239.

SPERRY GYROSCOPE COMPANY,

Plaintiff-Appellant,

vs.

ARMA ENGINEERING COMPANY,

Defendant-Appellee.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE EASTERN DISTRICT OF NEW YORK.

BRIEF FOR DEFENDANT-APPELLEE.

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INDEX.

PAGE

Introduction.

History of the Case in the District Court	1
The Question Presented	3

Argument.

History of the Act of 1918	4
The Act of 1910	4
The Act of 1918	6
Proceedings in Congress	12
Rulings of the Lower Courts	16

Reply to Argument of Appellant.

1. The Act of 1918 enlarges the right of action for infringement against the United States given by the Act of June 25, 1910, and in addition specifically defines what infringements are infringements by the United States and must therefore be tried in the Court of Claims 24
2. The Act is not in violation of the Constitution because it in nowise alters the scope of the monopoly granted by the patent, but at most provides a different and in large part an additional remedy for the invasion of that monopoly 24

543939

	PAGE
3. The Right of Eminent Domain	30
4. The intention of the Government in contract- ing for the compasses alleged to infringe is immaterial to the questions of jurisdiction of the District Court and validity of the Statute	31
5. The possible ruling of the Court of Claims on the question of compensation is irrelevant to the question of jurisdiction	34
6. The Act applies equally to patents granted before and after its passage	35

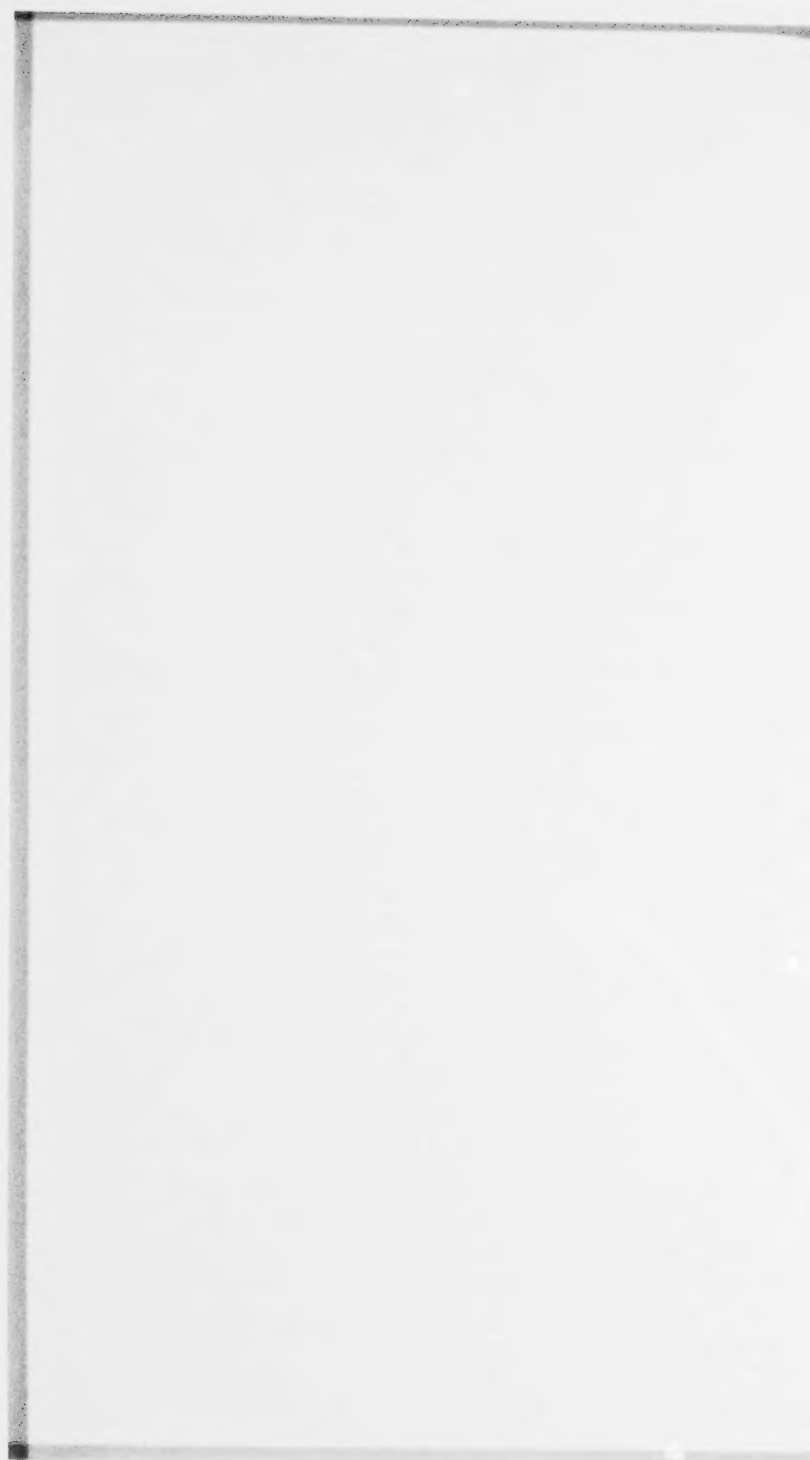
Conclusion.

AUTHORITIES CITED.

	PAGES
Citizens St. R. Co. vs. City R. Co., 56 Fed., 746	9
Corpus Juris., 12 C. J., pages 974-5	24
Cooke vs. State Nat. Bank of Boston, 52 N. Y., 96, 105; 11 Am. Rep., 667	9
William Cramp & Sons vs. International Curtis Marine Turbine Co., 246 U. S., 286, 10, 12, 27, 32	32
Crown vs. Nye, 261 U. S., 24, 36	26, 29
Crozier vs. Krupp, 224 U. S., 290	5, 10, 27
Ettor vs. Tacoma, 228 U. S., 148	25
Floyd Smith Aerial Equipment Co. vs. Irving Air Chute Co., 276 Fed., 834	16, 20
Foundation Co. vs. Underpinning & Foundation Co., 256 Fed., 374	16, 21
Gibbons vs. Ogden, 22 U. S., 1	27
Knox vs. Lee, 12 Wall., 457	36
Louisville & N. R. Co. vs. Mottley, 219 U. S., 467	27
Marconi Wireless Telegraph Co. vs. Simon, 246 U. S., 46	6, 12
Martin vs. Hunter's Lessee, 14 U. S., 304, 327, 4 L. Ed., 97	9
National Surety Co. vs. Architectural Decorating Co., 226 U. S., 276	25
Root vs. Railway Co., 105 U. S., 189	24, 28
Words and Phrases, First Series, Vol. 7, pages 64-66	9
Wood vs. Atlantic Gulf & Pacific Co., 296 Fed., 718	12, 16, 20, 21

STATUTES.

Act of June 25, 1910, 36 Stat. at Large 851	4
Act of July 1, 1918, 40 Stat. at Large 704	6
Patent Act of 1819	24
Judicial Code, Sec. 238	1
Judicial Code, Sec. 145	5
Sec. 4921, R. S.	26



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This case is before the Court on appeal from the District Court of the United States for the Eastern District of New York under Sec. 238 of the Judicial Code, the appeal having been filed before the recent revision of that section of the Code.

The only question before this Court is whether the cause of action presented by the bill of complaint is within the jurisdiction of the District Court or within that of the Court of Claims.

History of the Case in the District Court.

The complaint in this case was filed in the U. S. District Court for the Eastern District of New York, wherein

the defendant, a New York corporation, has its principal place of business. The bill as originally filed charged infringement by the sale to the United States Navy Department of gyroscopic compasses alleged to contain the inventions of the patents sued upon. It also charged threatened infringement of the patents by offering the compasses for sale to the public generally. Then there was a third charge of unfair competition in connection with the alleged offer of sale (R., 9, par. 41).

In due course an answer was filed denying the charges of infringement, of threatened infringement and of unfair competition. The answer admitted that gyroscopic compasses had been made by defendant under contracts with the U. S. Navy and had been sold to the U. S. Navy in accordance with such contracts, but asserted that the patents were invalid and that the compasses made and sold to the U. S. Navy did not embody any invention covered by the patents on which the suit was based, and that no other compasses of any description had been made or sold. Defendant further asserted that any charge of infringement based on the manufacture and sale of these compasses to the U. S. Navy must be brought in the Court of Claims of the United States under the provisions of the Act of Congress of June 25, 1910, 36 Stat. at Large, 851, as amended July 1, 1918, 40 Stat. at Large, 705, U. S. Compiled Statutes, 1918, Sec. 9465 (R., 33, par. 11).

Following the filing of its answer, defendant presented a motion asking that the charge of infringement based on the manufacture for and sale to the U. S. Navy be stricken from the bill of complaint; that the bill of complaint be dismissed so far as concerns the alleged unfair competition; and that the bill of complaint in its entirety be dismissed for lack of jurisdiction, or, in the alternative, that the cause of action be set down for hearing on the issue of jurisdiction in advance of the trial (R., 41).

The case was heard by the District Court on this motion, and, in a well-considered opinion, the Court held that the alleged infringement by the manufacture of compasses under contract for the U. S. Navy did not constitute a cause of action of which the Court had jurisdiction and ordered that the bill be amended in accordance with defendant's motion. The Court also granted defendant's motion that the bill be dismissed with respect to the charge of unfair competition. The Court denied defendant's motion that the bill be dismissed as a whole because, in the opinion of the Court, the bill presented an action for threatened infringement by offering to sell to the public of which the Court had jurisdiction (R., 42-48).

Following this opinion, the Court, on motion of plaintiff and with the consent of defendant, ordered that the bill of complaint be dismissed with respect to the cause of action which had been held to give the Court jurisdiction, namely, the threatened infringement by offering the compasses for sale generally to the public; and it also ordered that the bill be dismissed without prejudice with respect to the cause of action for unfair competition, and that the allegation of infringement be restricted to the manufacture and sale of compasses under contract with the Navy Department (R., 48). The cause of action having been restricted thus, a final decree was entered in the District Court dismissing the bill for lack of jurisdiction of the single cause of action stated in the amended bill of complaint, namely, infringement of plaintiff's patents by defendant's manufacture of compasses for and their sale to the Navy Department under contracts with that Department and threats to continue making such contracts and executing them (R., 49).

The single question presented by this case is, therefore, whether a District Court of the United States or the Court of Claims has jurisdiction of an action charg-

ing infringement by reason of manufacture of the alleged infringing articles for and their sale to the U. S. Government under contract.

ARGUMENT.

Defendant-appellee maintains that the cause of action presented by the amended bill of complaint is a cause of action under the Act of June 25, 1910, 36 Stat. at Large, 851, as amended July 1, 1918, 40 Stat. at Large, 705, and that, under the express provisions of that Act, the Court of Claims has exclusive jurisdiction thereof.

By the Act as amended, Congress specified that certain acts of private manufacturers shall be considered acts of the Government itself, and prescribed that such acts, being acts of the Government, may be made the subject of litigation only in the Court of Claims. That, defendant maintains, is the clear and unmistakable meaning of the language employed in the Act; it cannot mean anything else; and if there were room for doubt as to the meaning of the Act, all such doubt would be removed by analysis of the changes in the wording of the original Act of 1910 made by the amendment of 1918.

Furthermore, the purpose which Congress sought to achieve by the amendment of 1918 may be determined with a degree of clarity seldom equalled, so the only question open for discussion is whether the wording of the amended Act is adequate to achieve the avowed purpose.

History of the Act.

The Act of 1910 reads as follows:

“An Act to provide additional protection for owners of patents of the United States, and for other purposes.

“Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims.”

This Act plainly by its terms created an additional remedy for the patentee. It did not alter the monopoly granted the patentee. The monopoly is determined by the language of the grant forming part of the Letters Patent, and that was not altered by the statute. The patentee had, after the passage of the Act, the exclusive right to make, use and sell the patented invention for the term of the patent to just the same extent that he had before.

Prior to the passage of the Act, the manufacture and use by the Government of a patented article was just as much an invasion of the patentee's grant of the exclusive right as it was subsequent to the passage of the Act, but as a sovereign power may not be sued without its consent, the patentee was without remedy unless there was a contract, express or implied. If there were such a contract, the patentee could sue in the Court of Claims under the general provisions of the statute (Judicial Code, Sec. 145) permitting contractors with the Government to sue in the Court of Claims for payment under their contracts.

The Act of 1910 reached this Court for the first time in the case of *Crozier vs. Krupp*, 224 U. S., 290. In that case, the Court affirmed a decree dismissing a bill of complaint brought in a Federal District Court against an officer of the Army, charging him with making for the United States guns and gun carriages alleged to contain

the patented inventions, the dismissal to be without prejudice to an action under the Act of 1910.

Subsequent to the decision in the *Krupp* case, two cases arose in the Federal District Courts wherein it was sought to prevent the prosecution of a charge of infringement brought in the District Court against a concern manufacturing for and under contract with a Government Department on the ground that the Act of 1910 permitted such a charge of infringement to be prosecuted only in the Court of Claims. Those two cases, to wit, *William Cramp & Sons vs. International Curtis Marine Turbine Co.*, 246 U. S., 28, and *Marconi Wireless Telegraph Co. vs. Simon*, 246 U. S., 46, finally reached this Court and were decided on March 4, 1918. The decision then rendered by this Court settled definitely that the Act of 1910 did not extend to infringing acts committed by contractors with the United States, and that the Federal District Courts had jurisdiction of such infringements in suits brought by the patent owners against the contractors.

In July, 1918, three months after the rendition of these decisions, Congress amended the statute to its present form to specifically include within its scope the cases which this Court had decided in the *Cramp* and *Marconi* cases were not included by implication. The Act of 1918 not only gave to the Court of Claims jurisdiction of infringements arising out of the use or manufacture by or for the United States, but also it made that jurisdiction exclusive.

The Act of 1918.

“The Act entitled ‘An Act to provide additional protection for the owners of patents of the United States, and for other purposes’ approved June twenty-fifth, Nineteen Hundred and Ten, shall be

and the same is hereby amended to read as follows, namely:

"That whenever an invention described in and covered by a patent of the United States shall hereafter be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture; *Provided, however,* That said Court of Claims shall not entertain a suit or award compensation under the provisions of this Act where the claim for compensation is based on the use or manufacture by or for the United States of any article heretofore owned, leased, used by, or in the possession of the United States; *Provided further,* That in any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement, as set forth in Title Sixty of the Revised Statutes, or otherwise; *And provided further,* That the benefits of this act shall not inure to any patentee who, when he makes such claim, is in the employment or service of the Government of the United States, or the assignee of any such patentee; nor shall this act apply to any device discovered or invented by such employee during the time of his employment or service."

This Act differs from the Act of 1910 in three important particulars.

It extends the scope of the Act from "inventions used by the United States without license of the owner" (Act of 1910) to "inventions used or **manufactured** by or **for** the United States without license of the owner" (Act of 1918).

It changes the optional remedy of the Act of 1910, *i. e.*, the "owner **may** recover," to an exclusive remedy, *i. e.*, "such owner's remedy **shall** be"; and it changes the recovery from "reasonable compensation for such use" to "reasonable and **entire** compensation for such use **and** manufacture."

The original Act of 1910 provided that a patent owner "may recover" compensation for an infringement "by suit in the Court of Claims," thereby giving him a choice of suit against the infringer in the District Court or against the United States in the Court of Claims. The amended Act of 1918 provided that the patent owner's remedy "shall be" by suit in the Court of Claims where he shall recover his "entire compensation," thereby limiting him to a single remedy. The meaning could hardly be more clear. When the wording of the amendment is contrasted with the original wording, it is apparent that the very purpose of the amendment was to put an end to the choice formerly existing and substitute for it the single remedy by suit in the Court of Claims where "entire compensation" could be obtained.

The provision of the amended Act is mandatory. The patent owner's remedy "shall be" a suit in the Court of Claims, and as it "shall be" that, certainly it may not be something else. The mandatory "shall be" is used in the 1918 amendment where the permissive "may recover * * * in the Court of Claims" occurs in the 1910 Act. If the 1918 amendment still leaves the patent owner with an election of suing either in the District Court or in the Court of Claims, it is identical with the 1910 Act in that respect and the change of wording effected by the amendment has no significance whatever.

"Shall extend," as used in Const., Art. 3, Sec. 2, declaring that the judicial power shall extend to all cases in law or equity arising under the Constitution, the laws of the United States, and the treaties made

or which shall be made under their authority, should be construed in an imperative sense. They import an absolute grant of judicial power. They cannot have a relative signification, applicable to the power already granted. They are not equivalent to the words "may extend." *Martin vs. Hunter's Lessee*, 14 U. S., 304; 1 Wheat., 304, 327; 4 L. Ed., 97; *Citizens' St. R. Co. vs. City R. Co.*, 56 Fed., 746, 747.

"Shall," as used in 13 Stat., 99, providing that suits, actions, and proceedings against any association under the act may be had in any circuit, district, or territorial courts held within the district in which such association may be established, or in any state, county, or municipal court in the county or city in which such association is located, having jurisdiction in similar cases, provided, however, that all the proceedings to enjoin the Comptroller in this act shall be had in the circuit, district, or territorial court of the United States held in the district in which the association is located, is mandatory. *Cooke vs. State Nat. Bank of Boston*, 52 N. Y., 96, 105; 11 Am. Rep., 667 (*Words and Phrases*, First Series, Vol. 7, pages 64-6).

Where the mandatory form is adopted deliberately by changing the previously existing permissive form, it cannot be argued that the two are synonymous.

Also, the 1918 amendment provides that the patent owner shall recover his "entire compensation" by suit in the Court of Claims, and if he is to receive his entire compensation there, certainly he is not to receive some further compensation in another suit in another court.

In the case at bar the compasses alleged to constitute infringement of the plaintiff's patents were "manufactured for the United States," and if the charge of infringement be sustained, the remedy provided by the statute gives the patentee "entire compensation" for the

invasion of his rights, that is, it makes him whole again. The compensation would be in such amount as would cover in full the whole of any trespass upon his rights. That is so even though the Court of Claims could not issue an injunction against the manufacturer, whereas, in a suit against the manufacturer in the District Court, such an injunction could be issued if the Court deemed it proper. The fact that the Court of Claims would not or could not issue an injunction against further infringing operations by the manufacturer contracting with the Government Department constitutes the principal basis for appellant's argument, its position being that if it cannot have an injunction, compensation in any other form would be inadequate. That is entirely wrong. This Court has held specifically that all of the remuneration to which a patent owner may be entitled by reason of any trespass upon his rights may be secured in the form of an award of money by the Court of Claims, the amount of the award being fixed with due regard for all of the facts that are worthy of consideration including the fact that further infringing operations are not enjoined. It was so held in *Crozier vs. Krupp* and in the *Cramp* case above referred to.

In *Crozier vs. Krupp* the plaintiff had brought suit against the Chief of Ordnance of the War Department and there was a stipulation in the record that no money award was sought but only the issuance of an injunction which would restrain any further infringement upon the plaintiff's patent rights. This Court denied the right of the plaintiff to an injunction and dismissed the suit, leaving the plaintiff to prosecute its claim further in the Court of Claims under the Act of 1910, and to obtain in that Court an award of money in such amount as would constitute full compensation.

In the *Cramp* case, this Court reconsidered the case of *Crozier vs. Krupp*, and commented on it in its opinion, and among other things said:

"In accordance with this ruling" (the ruling of this Court in *Crozier vs. Krupp*), "it was decided that there was no right to an injunction against the Chief of Ordnance as an individual, and the parties, if their rights had been infringed, were relegated to the compensation provided under the Act of 1910. In reaching this conclusion, the statute was critically considered principally for the purpose of determining whether the right to recover compensation which the act afforded was adequate to fulfil the requirements of compensation for rights taken as protected by the Constitution."

Thus, this Court has held specifically in two instances that the possibility of obtaining an injunction against continuance of an infringement is not an essential requisite of adequate protection for the rights of a patentee. He may secure all he is entitled to by an award of money, the amount of that award being fixed with due regard to all of the circumstances and conditions affecting the situation.

Appellant refers repeatedly in its main brief and in its supplemental brief to some *additional* protection given patentees by the 1918 amendment over and above that given by the 1910 Act, and in doing so refers to the title of the two Acts. The fact is that there is no statement anywhere in the 1918 amendment or in its title that additional protection is given patentees by it. It is only in the title of the 1910 Act that it is stated that additional protection is given patentees and the 1918 amendment merely makes certain changes in the provision for that same additional protection.

If the titles of these Acts are important, it should be noted that the title of the 1910 Act includes "and for other purposes." The amendments of the 1918 Act were directed to one of these other purposes, namely, the purpose of preventing patent owners from enjoining those who are manufacturing for the Government.

Proceedings in Congress.

If the meaning of the Act of 1918 were left in doubt after consideration of the statute itself, it would be appropriate to consider the purpose which Congress had in view in enacting the amendment of 1918. The purpose of Congress was to eliminate the possibility of obstructing, delaying or even stopping the public work of a Government Department. It was sought to remove the possibility that an injunction against a private manufacturer would prevent the Government from getting **some needed apparatus at the time** when it was wanted and when the Department counted on receiving it. It is easy to imagine conditions under which an injunction against the delivery of apparatus for which a Government Department had contracted might have tremendously serious consequences and it was for the avowed purpose of eliminating that possibility that the original Act of 1910 was amended in 1918.

This is shown to be the fact by two documents which are quoted in *Wood vs. Atlantic Gulf & Pacific Co.*, 296 Fed. Rep., 718, 720-1.

When the decisions of this Court in the *Cramp* and *Marconi* cases were rendered in March, 1918, the war conditions made the Navy and War Departments of the United States purchasers of manufactured articles which might be the subject of Letters Patent in enormous quantities, and prompt delivery at the times when delivery was expected was an absolute essential. But it was made plain by the decisions in the *Cramp* and *Marconi* cases that a patent-owner would have a right of action in any District Court against a manufacturer fulfilling a contract with the Government and in such suit might even secure an injunction which would prohibit further manufacturing operations. This situation seemed to officials of the Navy Department to call for immediate legislative action, and accordingly the Assistant Secretary of the

Navy Department wrote to the Chairman of the Senate Committee on Naval Affairs, requesting that the Act of 1910 be suitably amended to preclude the possibility of the issuance of such an injunction and the consequent termination of deliveries under a contract, for it will be readily appreciated that failure of delivery in accordance with schedule under one contract might make vast quantities of apparatus delivered under other contracts temporarily useless. The Navy Department's letter reads as follows (296 Fed. Rep., 720-1):

“Navy Department.
Washington, April 20, 1918.

“My Dear Senator Tillman: This department is confronted with a difficult situation as the result of a recent decision by the Supreme Court affecting the government's rights as to the manufacture and use of patented inventions, and it seems necessary that amendment be made of the Act of June 25, 1910, entitled ‘An act to provide additional protection for the owners of patents of the United States, and for other purposes.’ The case in which the court's decision was rendered is that of William Cramp & Son's Ship & Engine Building Co., Petitioner, vs. International Curtis Marine Turbine Co. and Curtis Marine Turbine Co. of the United States, and the decision is, in effect, so far as it is of importance here, that a contractor for the manufacture of a patented article for the government is not exempt, unless he is only a contributory infringer, from injunction and other interference through litigation by the patentee.

“A prior decision of the Supreme Court, that in the case of Crozier vs. Krupp, had been interpreted as having the opposite meaning, and the department was able up to the time of the later decision, on

March 4 last, to proceed satisfactorily with the procuring of such patented articles as it needed, leaving the matter of compensation to patentees for adjustment by direct agreement, or, if necessary, by resort to the Court of Claims under the above-mentioned act of 1910. Now, however, manufacturers are exposed to expensive litigation, involving the possibilities of prohibitive injunction, payment of royalties, rendering of accounts, and payment of punitive damages, and they are reluctant to take contracts that may bring such severe consequences. The situation promised serious disadvantage to the public interests, and in order that vital activities of this department may not be restricted unduly at this time, and also with a view of enabling dissatisfied patentees to obtain just and adequate compensation in all cases conformably to the declared purpose of said act, I have the honor to request that the act be amended by the insertion of a proper provision therefor in the pending naval appropriation bill.

"The changes desired are shown in the accompanying draft of provision, which would, if inserted in the naval bill, accomplish the desired result satisfactorily to the department, and favorable consideration of this matter is urgently requested.

"Sincerely yours,

"FRANKLIN D. ROOSEVELT, Acting Sec'y.

"HON. BENJAMIN R. TILLMAN,

"Chairman Committee on Naval Affairs,

"United States Senate."

It was in response to this request of the Navy Department that the Act of 1918, amending the Act of 1910, was adopted.

When the bill for this amendment of the Act of 1910 was presented in the House of Representatives, the member of the House who had the bill in charge made the following statement (296 Fed. Rep., 721):

"This is an amendment of the patent law, and, generally speaking, it would not be appropriate on the naval appropriation bill. It makes only a slight change in the existing law, but the urgency and necessity of it was such that the Senate deemed it proper to place it on the bill. It is strongly recommended in a letter from the Acting Secretary of the Navy, Mr. Roosevelt. The existing law provides that, when the government wrongfully uses a patent, the remedy of the patentee shall be to sue the government. The conditions now are such that it becomes necessary for the government to have contracts with various private manufacturers, and for them to use these patents where disputes may arise over the use of the patent. Now, if the government itself is manufacturing, they cannot enjoin the government, but under existing law must sue in the Court of Claims for the recovery of their rights under the use of the patent. If a man makes a contract with the government to perform the work, the patentee can enjoin the private contractor and the private manufacturer from doing the government work. Now the only change that is made is to provide that the private contractor, who is doing the government work under contract with the government, shall be placed on the same basis, and shall bring suit against the government of the United States to recover certain compensation from the use of their patent, or such damage for the use of the patent, as they could recover if the government of the United States was doing the work itself. Thereby it would prevent the injunction process from the courts being used to prevent private manufacturers doing government work. That is the whole change made in the law, and the conditions are such as to require that it should be done." Congressional Record, 65th Con-

gress, 2d Session, proceedings of June 18, 1918, page 7961.

It could not be made more clear than this letter and statement make it, that the very purpose of the Act of 1918 was to make the jurisdiction of the Court of Claims exclusive in connection with claims of patent infringement in manufacturing devices for the United States under contract with one of its departments, and specifically, to do away with jurisdiction in the District Courts in suits against the manufacturers of such devices wherein writs of injunction could be issued to the great embarrassment of the business of the United States.

That the meaning of the Act of 1918 is as we have stated in the foregoing, and that the purpose in adopting it was to prevent interference with the Government in securing apparatus for its use, have been recognized by all of the Courts which have had occasion to consider the act since it was adopted.

Rulings of the Lower Courts.

There have been three adjudications under the amended Act of 1918, namely, *Foundation Co. vs. Underpinning & Foundation Co.*, 256 Fed., 374; *Floyd Smith vs. Irving*, 276 Fed., 834; and *Wood vs. Atlantic Gulf & Pacific Co.*, 296 Fed., 718.

These three cases are discussed in the opinion of the District Court in the following language (R., 43-44):

“The purpose of the change shown in the Act of 1918 appears in the letters referred to in the opinion in *Wood vs. Atlantic Gulf & Pacific Co.* 269 Fed., 718. Congress intended by the Act of July 1, 1918, to put an end to suits in the District Courts in connection with apparatus made for the United States, and

"inasmuch as the sovereign could not be sued without its consent, it had a perfect right to determine in what court the action might be maintained.

"In *Foundation Co. vs. Underpinning & Foundation Co.*, 256 Fed., 374, which was a parallel case, the defendant was constructing the foundations for the United States Assay Offices, in New York City, and plaintiff alleged that in doing the work the defendant was using a caisson covered by plaintiff's patent, and prayed for a preliminary injunction.

"The question of the jurisdiction of the District Court under the Act of July 1, 1918, was raised because the work was being done under a contract with a branch of the United States Government, and the injunction was denied, thus sustaining the claim of the lack of jurisdiction, as the Act of July 1, 1918, and its affect was the only question discussed in the opinion of Circuit Judge Mayer, then a District Judge, who, at page 375, said:

'The sovereign power, therefore, which cannot be sued without its consent, has decided to protect itself by treating such a situation as that at bar as a claim, in effect, against itself for full money compensation, and has thus created, not only a cause of action against itself for reasonable compensation, but for whatever may be "entire" compensation.'

"In *Floyd Smith Aerial Co. vs. Irving Air Chute Co.*, 276 Fed., 834, defendant had manufactured certain types of parachutes for a branch of the Government, and certain other types for commercial sale, and the Court held that under the Act of July 1, 1918, it had no jurisdiction with respect to those made for the Government, and Judge Hazel, at page 839, said:

“ ‘Complainant, however, insists for an accounting as to profits and damages arising from sales to the government of the infringing apparatus, and also for an injunction as to future contracts with the government for constructions of life-packs. Such relief, however, in view of the statute and the contractual obligations assumed by the government, is not permissible. * * * The amendment of 1918, enlarging the earlier Act of 1910, clearly shows that Congress intended that the government should be left free to contract with any one for the manufacture of any article used by it, and if as a result thereof a patented invention is manufactured or used “by or for the United States without license of the owner,” such owner’s remedy is to recover a reasonable compensation for such use or manufacture in a suit against the United States in the Court of Claims.’

“Plaintiff cites *Wood vs. Atlantic Gulf & Pacific Co.*, *supra*, as sustaining its contention that the Act does not apply unless the Government has knowledge of and consents to the infringement, but I am not in accord with such finding, if applied to the case at bar, but that case is clearly distinguishable from the case at bar because in that case the manufacturer, in making the article for the Government, was alleged to have infringed by using a patented tool in his manufacturing, instead of it being alleged, as in the case at bar, that the very article which the Government bought infringed.

“I find no support for the plaintiff’s contention that there is a distinction which takes out from the purview of the statute articles manufactured by an independent contractor under contract with and sold to the Government from articles manufactured by

"an independent contractor for the Government, because purchase by the Government is ordinarily for its use and not for resale, and the statute applies to 'use' as well as to manufacture.

"An injunction restraining the independent contractor from manufacturing and selling to the Government under contract articles for the use of the Government, would be as detrimental to the interest of the Government as would an injunction against the Government itself, if that was possible.

"There is no attempt by the Act of 1918 to take the property of the owner of any patent without compensation, on the contrary, the Government, under the conditions set forth in the statute, has agreed that the owner's remedy shall be by suit against the United States of America, in the Court of Claims, for the recovery of his reasonable and entire compensation for such use and manufacture.

"That the Act of July 1, 1918, was controlling in the case at bar seems to have been held by Judge Inch in this court, because on objection by the defendant he limited the interrogatories propounded by plaintiff as follows:

'I direct that they be limited to defendant's dealing with the general public and that defendant is not required to answer in regard to any facts relating to contracts or performance of same with the United States Government in any of its branches.'

"This Court is without jurisdiction as to the alleged infringement of the plaintiff's patent in so far as it relates to gyroscopic compasses made and sold under contract with, and contracted to be made and sold to the United States Navy Department, and the relief asked for in the first paragraph of the defendant's motion is granted."

The Court below found all three of these cases to support its ruling that the Court of Claims had exclusive jurisdiction in a cause of action based on the manufacture for or use by the United States of the patented article. Appellant seeks to distinguish these cases by stating that in the *Floyd Smith case* the Government assumed the liability by saving the contractor harmless from demands and liabilities. Even if such a contract existed, it obviously has no bearing on the question of jurisdiction, for it could hardly be urged seriously that the jurisdiction of the District Court is ousted by a surety agreement between the parties where, in the absence of such an agreement the Court would have jurisdiction. The Act gives the Government no choice in the matter of primary liability, just as it gives the patent owner no choice in the matter of remedy, whenever the patented article is "manufactured for" the Government; and we have no concern with whether or not the Government requires that the manufacturer indemnify it.

In *Wood vs. Atlantic Gulf & Pacific Co.*, 296 Fed., 718, the Court was dealing with a situation essentially different from that presented in this case. There the defendant had contracted with the United States to do certain dredging in a harbor or river. That was all the contract required; what apparatus the contractor might use in doing the work was left wholly to the contractor. Suit was brought in the District Court against the contractor, claiming that the apparatus used in the dredging work included a patented invention, and this claim of patent infringement was sustained by both the District Court and the Court of Appeals. Up to that point there was no consideration of the Act of 1918. Following the affirmance by the Court of Appeals, the defendant moved in the Court of Appeals for the right to apply to the District Court for a reopening of the case, and, on being granted permission, moved in the District Court for a reopening for the consideration of newly discovered evi-

dence and also because the Act of 1918 precluded adjudication of the claim by the District Court because the alleged infringement was incident to work done in accordance with a contract with the United States. Thus the situation presented, involving infringement in apparatus used by the contractor in performing the dredging operation it had contracted to perform, was radically different from that presented in the present case where infringement is alleged in the devices made for and delivered to and used by the United States.

It was in that case that the Court referred to the letter from the Assistant Secretary of the Navy to the Chairman of the Senate Committee on Naval Affairs heretofore quoted. The Court had recourse to the proceedings leading up to the passage of the Act of 1918, not because the provision of the statute making the Act an exclusive remedy was ambiguous, but because, in the case before the Court, the act complained of was not a use by the United States or the manufacture of an article by or for the United States, but was merely a use of a patented device by the contractor "for his own convenience" when under the terms of his contract he was not required to use the tool or device patented but was left free to use whatever tools or devices he might see fit to select.

Thus, in *Wood vs. Atlantic* the Court did *not* hold that the District Court had jurisdiction of the cause of action arising out of manufacture for or use by the United States, but on the contrary, held that the Court had jurisdiction only because the particular use in question was *not* "by or for the United States," but was an independent use by the contractor without the authority of the United States.

If there were any lack of harmony between the opinions in the *Foundation* case and in *Wood vs. Atlantic Co.*, it was with respect to a point which is not presented in the present case. In those cases, the contractor was at liberty to use any foundation apparatus or any dredging

apparatus he pleased; the only requirement of the Government was that the foundation should be dug and that the channel should be dredged, and what particular form of apparatus was used for the purpose by the contractor was wholly a matter of selection by him. In this case, on the other hand, the patented inventions are alleged to be embodied in the very devices which the contractor is to supply to the Government and which would be used by employees of the Government in conducting the business of the Government, so this case presents the particular situation which the proponents of the amendment of 1918 had in mind and to which that amendment was intended to apply.

These three cases referred to in the opinion of the District Court in the case at bar, are the only reported cases dealing with the Act of 1918, and this case is the first involving the interpretation of the Act to come before this Court.

In summary, therefore, it is our contention that the conclusion which must be reached is that the Act of 1918 clearly divests the Federal District Courts of jurisdiction of patent suits against manufacturers who are operating under contract with the Government, as is the case in the present instance. When the purpose of the Act and the proceedings leading up to its passage are considered, there seems to be no room for doubt on this point. The only remaining thing to be considered is the appellant's contention that the Act is unconstitutional if it accomplishes this purpose, and discussion of that forms the second of the following six points.

ARGUMENT OF APPELLANT.

On page 9 of its brief, appellant commences its argument by an outline of six paragraphs. Answering these specifically, it is the appellee's contention that:

(1) The Act of 1918 enlarges the right of action for infringement against the United States given by the Act of 1910, and in addition, specifically defines what infringements are infringements by the United States and must therefore be tried in the Court of Claims.

(2) The Act is not in violation of the Constitution because it in nowise alters the scope of the monopoly granted by the patent, but at most provides a different and in large part an additional remedy for the invasion of that monopoly.

(3) Whether or not the Government is exercising its right of eminent domain in contracting with appellee to build the compasses in question is immaterial to the validity and scope of the Act, the purpose of which is to enlarge the jurisdiction of the Court of Claims. It is in effect an extension of the privilege to sue the Government to a class of cases not embraced in the Statute originally defining the jurisdiction of that Court.

(4) The intention of the Government in committing the acts complained of is immaterial to the questions of jurisdiction and validity of the Act.

(5) What the Department of Justice might assert on the question of compensation or what the Court of Claims might decide if and when this alleged cause of action is presented in that Court, is entirely irrelevant to the question of jurisdiction.

(6) The Act applies equally to patents granted before or after its passage.

(1) **The Act of 1918 enlarges the right of action for infringement against the United States given by the Act of June 25, 1910, and in addition specifically defines what infringements are infringements by the United States and must therefore be tried in the Court of Claims.**

This has been discussed in detail in the foregoing.

(2) **The Act is not in violation of the Constitution because it in nowise alters the scope of the monopoly granted by the patent, but at most provides a different and in large part an additional remedy for the invasion of that monopoly.**

Appellant alleges that if the Act deprives the patentee of his remedy against a competitor, there is a violation of Article 1, Sec. 8, of the Constitution, providing for the grant of monopolies to inventors.

Prior to the Act of 1819, the Patent Statutes contained only provision for damages by an action at law. It was the Act of 1819 that specifically conferred upon the Federal Courts jurisdiction to grant injunctions under the Patent Laws. *Root vs. Railway Co.*, 105 U. S., 189. Yet no one would venture to say that the patents granted prior to 1819 were not monopolies or were unconstitutional grants because no remedy of injunction was provided in the Federal Courts.

Furthermore, an act *specifically providing a remedy* could not be construed as *depriving* a patentee of his remedy. The Act specifically defines the remedy where before it had not been defined. It is a change in remedy from a remedy under the general provisions of the statutes to a specific remedy and such Acts, wherever they have been challenged as unconstitutional, have invariably been held to be within the power of Congress.

Corpus Juris, in the article on Constitutional Law, 12 C. J., pages 974, 975, states the following rule as to laws dealing with remedies:

"There is no vested right to a particular remedy. A statute is not unconstitutional, therefore, merely because it changes, abolishes, or impairs an existing remedy for a cause of action that has accrued prior to the passage of the statute.

* * * * *

"In these cases, existing remedies may be modified or impaired, particular remedies may be taken away, one particular remedy may be made the exclusive one or one remedy may be substituted for another. Thus, a proceeding at law may be changed to one in equity, and, conversely, a proceeding in equity to one at law. It is not necessary that the remedy or remedies remaining be as effectual as those existing before the passage of the statute. There must remain, however, a remedy that is not merely colorable but is real and substantial

"Statutes concerning remedies are such as relate to the course and mode of procedure to enforce or defend a substantive right. Matters which belong to the remedy are subject to change and alteration, and even repeal, provided the legislation does not operate to impair a contract or deprive one of a vested property right. If the changing or repealing statute leaves the parties a substantial remedy, the legislature does not exceed its authority. *Ettor vs. Tacoma*, 228 U. S., 148."

See also: *National Surety Co. vs. Architectural Decorating Co.*, 226 U. S., 276.

Appellant also contends that a construction of the Act which provides that his *sole* remedy shall be in the Court of Claims is unconstitutional as depriving him of his property without due process of law. Again, appellant's contention is directly contrary to the express language of the Act which *provides a process of law* by which the

patentee not only receives his reasonable compensation, but *his entire compensation* for the alleged breach of his rights.

Apparently appellant's chief complaint under this heading of its argument is that the patentee had a right of injunction under the general provision of the Patent Laws of which he was deprived by the Act. Assuming this to be so, the Act is nevertheless not unconstitutional. An injunction is merely a remedy available to a patentee in a court of equity. It is to be granted "according to the course and principles of Courts of Equity, to prevent the violation of any right secured by patent on such terms as the Court may deem reasonable" (R. S., Sec. 4921).

Appellant's contention results from a failure to distinguish between the patent property and one of the incidents of that property. *Crown vs. Nye*, 261 U. S., 24, 36. An injunction is not a statutory right granted at the demand of the patentee, but on the contrary is a remedy granted according to the course and principles of equity, which means that it is granted in the sound discretion of the Court when necessary to prevent irreparable injury; or in other words, to prevent injury for which a patentee cannot be compensated.

Obviously no such condition can exist in a case arising under the Act of 1918 for the Act itself provides *entire* compensation for the infringement. The Act does not limit the scope of the patentee's remedy which before the passage of the Act rested on the doubtful ability of the contractor to adequately respond in damages and on the willingness of the Court to grant an injunction; on the contrary, the Act provides the patentee specifically with a right to entire compensation for his alleged injury from the Government itself. As we have pointed out before, the Act is merely a change in remedy provided for the express purpose of making the Government responsible for its agents so that interference with

the Government business by suits for injunctions against its agents is no longer warranted on any pretext whatsoever.

Furthermore, this Court has held in *Crozier vs. Krupp* and in the *Cramp* case (as we have heretofore pointed out, *ante*, pages 9-11), that a patent owner may secure an award in the Court of Claims in an amount which would be fixed with due regard to the fact that no injunction would be obtainable by the patent owner to prevent further use of his patent rights. Thus, he would sustain no loss by reason of not being able to obtain an injunction.

There is a further reason why the contention that the Act of 1918 is unconstitutional must fail. Patents are purely creatures of the Federal Statute. The rights conferred by patent grants and all regulations with regard thereto rest entirely on Congressional enactment. It is well settled that the power of Congress over such rights is unrestricted except by the limitations to be found in the express constitutional provision from which its authority is derived.

In *Gibbons vs. Ogden*, 22 U. S., 1, this Court said:

“The power of Congress to regulate commerce is paramount and is unrestrained except by the limitations upon its authority by the constitution. This power is ‘complete in itself and acknowledges no limitations other than those prescribed by the Constitution.’ ”

See also *Louisville & N. R. Co. vs. Mottley*, 219 U. S., 467.

Certainly the power of Congress to regulate commerce is no greater than its power to regulate patent monopolies.

The only limitation in the Constitution on the powers of Congress to legislate with regard to patents is that

the legislation shall secure "for limited times to authors and inventors the exclusive right to their respective writing and discoveries." Any Act of Congress, however it may modify existing remedies or otherwise alter the provisions of the patent law, is valid and constitutional so long as it is within the broad scope of this enabling clause of the Constitution.

Appellant urges that the Act of 1918 is unconstitutional if it makes the jurisdiction of the Court of Claims exclusive for then it deprives a patent owner of the right of trial by jury. Appellant appears to ignore the fact that the suit at bar is a suit in equity, and not a suit "at common law" to which alone the Seventh Amendment of the Constitution relates. Also appellant appears to ignore the fact that the decree from which this appeal was taken did not deny appellant the right of trial by jury but merely denied it the right of trial in a particular court.

But, turning to matters of more general import, appellant states that the constitutional provision against impairing the right of trial by jury in common law cases applies to patent cases and cites *Root vs. Railway Co.*, 105 U. S., 109, in support of that proposition. That case makes it very clear that patent cases come within this provision only because Congress has provided a legal remedy for such cases.

"And the doctrine applies in patent cases as well as others. This Court said in *Parsons vs. Bedford*, 3 Pet., 446, speaking of the meaning intended by the framers of that amendment, that 'By common law they meant what the Constitution denominated, in the 3d article, LAW, not merely *suits* which the common law recognized among its old and settled proceedings, but suits in which *legal* rights were to be ascertained and determined, in contradistinction to those where *equitable rights* alone were recognized

and equitable remedies administered.' The rule was repeated in *Fenn vs. Holme*, 21 How., 484 [62 U. S., XVI, 199], in this language: 'In every instance in which this Court has expounded the phrases, proceedings at the common law, and proceedings in equity, with reference to the exercise of the judicial powers of the Courts of the United States, they will be found to have interpreted the former as signifying the application of the definitions and principles and rules of the common law to rights and obligations essentially legal; and the latter as meaning the administration with reference to equitable as contradistinguished from legal rights, of the equity law as defined and enforced by the Court of Chancery in England.' "

But Congress did not have to provide a legal remedy to which the constitutional provision would apply, and by the same token it can withdraw the remedy in whole or in part. Under the broad scope of the enabling clause of the Constitution, Congress could have provided any remedy for infringement of the patent monopoly which it deemed would advance the sciences and useful arts. It could have provided various penalties and could have provided special tribunals to administer the penalties. The fact that it gave the right to damages in an action at law does not prevent its now withdrawing that right in certain classes of cases. It is well within its constitutional power. Patent owners could not complain if Congress had never given the right to sue at law with its attendant jury trial and they cannot now complain if Congress in the public interest takes away this remedy and gives them another which by its terms gives them "entire compensation."

Appellant's view ignores the peculiar character of patent property and the incidents of that property, as was emphasized by this Court in *Crown vs. Nye*, 261 U. S., 24, 40, as follows:

“This view ignores the peculiar character of patent property and the recognized rules for the transfer of its ownership and its incidents. Patent property is the creature of statute law, and its incidents are equally so, and depend upon the construction to be given to the statutes creating it and them, in view of the policy of Congress in their enactment. This is shown by the opinion of this Court in *Waterman vs. McKenzie*, 138 U. S. 252; 34 L. ed., 923; 11 Sup. Ct. Rep., 334, already cited, and in the line of authorities followed therein. It is not safe, therefore, in dealing with a transfer of rights under the patent law, to follow implicitly the rules governing a transfer of rights in a chose in action at common law. As Chief Justice Taney said in *Gayler vs. Wilder*, 10 How., 477, 494; 13 L. ed., 504, 511:

‘The monopoly did not exist at common law, and the rights, therefore, which may be exercised under it, cannot be regulated by the rules of the common law. It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.’ ”

3. The Right of Eminent Domain.

The Act of 1910 was referred to in the case of *Crozier vs. Krupp*, mentioned above, as an exercise of the right of eminent domain, in the respect that it provided compensation for private property taken or used by the Government. In so far as the question of eminent domain is concerned, there is no distinction between the Act of 1918 and the Act of 1910. Both provide for compensation, but not as concerns any specific act or specific and identified piece of property; they are general enact-

ments providing compensation in a certain class of cases, the amendment effected by the Act of 1918 merely enlarging the class of cases to which the Act of 1910 applied.

It does not seem to us, however, that the question of eminent domain enters into the case, beyond the broad question of the right of Congress to provide compensation for patent infringement, or in other words, whether patent infringement constitutes a claim for which the public moneys may be properly expended.

As we see it, the statute, both as originally enacted in 1910 and as amended in 1918, enlarges the jurisdiction of the Court of Claims by establishing another class of cases additional to those arising out of express and implied contracts in which the Government gives its consent to be sued.

(4) The intention of the Government in contracting for the compasses alleged to infringe is immaterial to the questions of jurisdiction of the District Court and validity of the statute.

It is to be presumed, of course, that the officials of the Government are not knowingly and designedly invading an established property right of a private citizen. The mere allegation of appellant that the patents are valid and infringed does not establish either. There is a presumption of validity which attaches to a patent by reason of its issuance, but there is no presumption whatsoever that gyroscopic compasses manufactured for the Government by the appellee contain any invention included in the patents in suit. The presumption is that the officers of the Government having to do with the purchase of compasses regarded them as non-infringing or the patents as invalid, or both, and that they are taking ~~no~~ one's property by ordering compasses from the appellee. Whether or not the contractor agrees to in-

demnify the Government or the Government agrees to indemnify the contractor has no bearing on the question of intent. If the contractor assumes the risk of a possibly successful suit for patent infringement, he is entitled to a greater compensation, whereas, on the other hand, if the Government assumes such risk, the price for the compasses would ordinarily be reduced. Otherwise the agreement between the parties on this matter is entirely without significance.

The intention of the Government with regard to the alleged infringement obviously has the same bearing on the amended Act of 1918 as it had on the Act of 1910, for if there were no distinction in the Act of 1910 between intentional and unintentional infringement in the use of certain articles by the Government, there can be no distinction between intentional and unintentional infringement by contracting for the manufacture of the articles. Otherwise we would have the absurd proposition that the *manufacture* of the article for use without intent to infringe is not actionable under the statute, whereas the *use* of the same article without intent to infringe is actionable. The Government has articles manufactured for it for use, not for sale, and the principal infringement is, of course, the use of the articles by the Government. In the *Cramp* case (246 U. S., 28, 41), dealing with the Act of 1910, this Court discussed the matter of intention in the following language:

“Observe that the right to recover by implied contract as existing prior to 1910 and the right to recover given by that act both rest upon the possession and exertion of official authority, although, from the absence of definition in the statute, the precise scope of the official power possessed in order to bring the authority into play is not specified, but is left to be deduced from the application of general principles. Observe, further, that, resting thus upon the exer-

cise of official power, it was not assumed before the Act of 1910 or under that Act, that the official authority would consciously and intentionally be exerted so as to violate the Constitution by wrongfully appropriating private property. This follows from a two-fold point of view: First, because the basis of the right to sue on implied contract is the fact that official power, recognizing the patent right and the at least implied assent of the owner, had acted in reliance upon the fact that adequate compensation would follow the taking, and second, because, in conferring the right to prove infringement, the Act of 1910 obviously contemplates the possibility of the commission of official error or mistake on that subject and afforded a remedy for its correction and resulting compensation."

The view of this Court as there expressed seems to completely dispose of appellant's contention that the Act applies only in those cases where there is intentional infringement by the Government. If the Government had built the compasses which are alleged to infringe in its own shop or had purchased them abroad so that the only ground of action was for the use of the compasses, we are confident that the appellant would be the last to take the position that in order to sustain an action under the statute it would be necessary for it to prove that the infringement was intentional. Moreover, the language of the statute says nothing about intent one way or the other. It specifies certain acts which are actionable when the claim arises out of the performance of the act quite independently of any intention.

In this connection it is noted that page 31 of appellant's brief contains the following paragraph:

"In the present case the United States appears, refusing to ratify defendant's infringement and disclaiming responsibility under the Act of 1918."

The United States never appeared in this case, or took any action in it whatsoever except that on March 1, 1926, it applied to this Court for leave to file a brief herein as *amicus curiae*; it is assumed that the appellant in the quoted statement refers to some one of the authorities in the immediately preceding portion of its brief.

Appellant's statement, on page 30 of its brief, that the Government is liable for the tort of its officer in taking property only where the act is ratified apparently relates to suits brought on the theory of implied contract, and has nothing to do with patent suits, for which special provision has been made by the Acts of 1910 and 1918. For it is certainly beyond question that "the tortious act of an officer" of the Government in using a patented invention does "create a liability on the part of the Government to pay for the same." The very purpose of the Act of 1910 was to recognize that liability and to provide for liquidating it.

Appellant urges that if the Act of 1918 be construed to permit the Government to be sued for infringement even though it merely buys the infringing article in the market and does not have it manufactured for it by an agent, the door will be opened to thousands of suits. It was not the Act of 1918 that opened the door, but rather the Act of 1910. The earlier Act gave the right to sue for mere use, regardless of intention or manner of acquisition and as articles are manufactured for this Government only for use by the Government, the number of suits to which the Government is liable is not increased by the amending Act of 1918.

(5) The possible ruling of the Court of Claims on the question of compensation is irrelevant to the question of jurisdiction.

This appeal is concerned only with the question of jurisdiction, and speculation as to what basis might be

adopted by the Court of Claims in determining the compensation to be awarded under the Act if and when the appellant brings an action in that Court and sustains its charge of infringement is idle and beside the point. The Act provides that the compensation shall not only be reasonable but shall be "entire." In adding "entire" to the statute as previously drawn, Congress evidently had in mind giving the patentee compensation commensurate with the entire invasion of his rights—not merely a reasonable compensation for the use, but an entire compensation for his damage, however sustained. It is reasonable to suppose that Congress intended to provide for greater compensation than he would be entitled to under the Act before the amendment, although the loss to the patentee is precisely the same whether the infringing articles are built by the Government in this country or obtained from abroad or are built by an agent of the Government under contract.

The purpose of the statute is quite evident. It was the aim of Congress, in making the remedy in the Court of Claims exclusive, to insure the patentee full, complete and adequate remedy equal in its final results to the remedy which the patentee had previously enjoyed in that class of cases added to the statute by the Act of 1918. We believe that when this question comes to be reviewed by this Court, it will so rule, but the sole question now before the Court is the question of jurisdiction, and that jurisdiction, as we have pointed out above, is exclusive by the terms of the Act and the Act is valid and constitutional whether or not the remedy provided be considered by some particular patent owner to be as desirable as before.

(6) The Act applies equally to patents granted before and after its passage.

It is not material when the patents were granted. The date of the grant of the patent is nothing more than the

date the property was acquired by the plaintiff or his predecessor in ownership. The patents do not of themselves prescribe any particular right of action in the patentee or any particular remedy or any particular Court in which the remedy is to be sought. The only date relevant so far as the date of the passage of the Act is concerned is the date when the cause of action arose and that date with regard to all the patents is subsequent to the passage of the Act.

It might as well be said that an Act increasing the rate of taxation does not apply to a piece of property purchased before the Act, but does apply to property acquired thereafter. As we have said before, the scope of the grant is defined by the patent itself, whereas the remedy for enforcing the rights so conferred is under the absolute authority of Congress and may be changed at will by that body so long as an adequate right of action for invasion of the monopoly remains.

Appellant implies in its brief (page 39) that a change of remedy impairs the so-called patent contract. The constitutional prohibition against impairment of the obligation of contracts (Sec. X, Art. I) does not apply to the Federal Government, nor does it apply to cases where the impairment is indirect and results from lawful exercise of the powers of Congress. *Knox vs. Lee*, 12 Wall., 457. In this instance, however, there is no impairment of the obligation of the contract. The contract is the grant and the grant provides that the patent owner has the "exclusive right to make, use and sell." This contract right has not been altered. It was recognized that this right might be invaded and the Government agreed impliedly that there should be a remedy. But it never defined the remedy in the grant. The patent owner still has his remedy, namely, recovery of his "entire compensation" from the Government by suit in the Court of Claims.

CONCLUSION.

In the foregoing, we have discussed briefly certain matters urged by appellant which we believe to be unimportant, such as the intention of the Government in procuring the apparatus; the jurisdiction of the Court of Claims; and the question of eminent domain.

We have refrained from discussing certain irrelevant matters and matters which are not supported by the record and which are discussed by appellant as though they were established facts, such as the alleged piracy of appellant's patent rights by appellee, the development of appellant's business, and the nature or amount of its alleged injury.

It has been our purpose to confine ourselves strictly to the two questions which the case presents, namely, first, does the word "shall" in the Act of 1918 mean the same as "may" in the Act of 1910, so as to give the patent owner a choice of two remedies, and second, if the jurisdiction of the Court of Claims is made exclusive by the Act of 1918, is that Act constitutional?

Respectfully,

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New York, N. Y., April 5, 1926.